



PUBLIC MEETING

Utah Committee of Consumer Services

Utah Department of Commerce

January 8, 2009



Welcome & Business



Public Comment



Case Updates

Michele Beck



Case Updates

Tariff Filings

- Cool Keeper
 - Proposed changes included change from opt-in to opt-out for existing customers and residences
 - CCS raised concerns
 - Technical conference scheduled
- Irrigator Dispatchable Tariff
 - Offered in addition to existing interruptible options
 - CCS requested feedback from Farm Bureau



Case Updates

Questar Rate Case Order

- Postponed split of GS-1 class
- Provided explicit guidance on allocation factors
- Set the NGV rate to cost of service, in two phases, and removes Wexpro gas
- Questar plans to ask for reconsideration



2009 Potential Legislation



2009 Potential Legislation

Expansion of Universal Service Fund

- Allows one-time distributions to fund broadband services in unserved areas and route diversity for up to 50 percent of cost of project
- These projects come from accumulated excess in the fund and cannot be sole basis for increase in the USF surcharge
- Also established a percentage cap for the surcharge



2009 Potential Legislation

Telecom Pricing Flexibility

- Currently, Quest has pricing flexibility for everything except basic residential service
- This legislation removes the basic residential service exception and allows pricing flexibility for all services
- Safeguards:
 - Market forces
 - Availability of measured service rate
 - Commitments from Quest



2009 Potential Legislation

Regulatory Changes

- Process changes: tighten 240-day timeline tied to complete filing
- Explicit enabling authorization for PSC to allow certain mechanisms
 - Such authority likely already exists
- Provisions for Major Plant Additions
- Authorizes Low Income Assistance Programs
 - Incorporates both per customer and per customer class cap on funding for low income



2009 Potential Legislation

Others

- Transmission Siting Task Force
- Area Code



Rocky Mountain Power New Large Resource Acquisition: Introduction and Background

Cheryl Murray



RMP Resource Acquisition

Introduction and Background

- Resource Acquisition Processes (IRP, RFP ...)
- This RFP has been a long saga
- CCS Plan for Analyzing the Resource Selection
- Key Points that will inform the analysis

RMP Resource Acquisition

Resource Acquisition Process

- Process begins with the Company's Integrated Resource Plan (IRP)
 - Resource need is determined (size, type, timing)
- Utility submits request for proposal (RFP) for PSC approval
 - Identifies the type of resource(s) sought, when and where (control area) they are needed
- If approved, Company issues RFP to solicit bids
- Company seeks approval of selected bid(s)



RMP Resource Acquisition

Resource Acquisition Process

- Practical implementation of these resource acquisition processes is sometimes problematic
- Examples:
 - Interaction between Company business plan and IRP
 - Modeling efforts are ongoing; RFP requests resources based on a snapshot
 - “Type” of need isn't an obvious answer
 - RFP evaluation is complex (e.g. Screening, use of benchmarks, fair comparison of self-build options)



RMP Resource Acquisition

This RFP Has Been a Long Saga

- First draft RFP application filed June 28, 2005
 - 840 MW supply side resource for summer 2009
 - Requested approval of RFP by Sept. 2, 2005
- Revised RFPs submitted to PSC: July 2006, October 2006, February 2007, and March 2007



RMP Resource Acquisition

Long Saga, cont.

- Public comments were submitted following each RFP draft
- Original RFP was for 840 MW of resource(s) in 2009, revised RFP called for up to 1,700 MW of resources in 2012 – 2014
- Included 3 coal fired benchmarks & IGCC
- October 2007 requested to use Lake Side & Currant Creek sites as benchmarks (withdrawn)



RMP Resource Acquisition

The Long Saga Comes to an End

- On April 4, 2007, the PSC approved the 2012 RFP – increased resource need from 840 MW up to 1,700 MW of generation
- On December 3, 2008, RMP filed request for approval of Lake Side 2 resource
- RMP's application requested PSC approval of the resource choice by February 27, 2009
 - Statute allows 120 days
 - Expedited treatment requested to maintain 2012 online viability



RMP Resource Acquisition

Outcome from This RFP Process

- 607 MW combined cycle
- Located on Lake Side site (former Geneva Steel site)
- Online date: July 2012, IF:
 - PSC approval by February 28
 - Air permit goes forward under ideal circumstances



RMP Resource Acquisition

Concerns Regarding This RFP Process

- Overall process too prolonged – original need was 2009, now it is almost impossible to have resource online by 2012
- Some criticized credit requirements as screening out too many options
- No benchmarks were used in analysis because coal option was removed



RMP Resource Acquisition

CCS Plan for Analyzing Resource Selection

- Utilize retained consultant, Phil Hayet, who has expertise in resource planning and analysis
 - Primarily analyzing for “red flags”
 - Insufficient time for thorough analysis
- Process relies heavily on Independent Evaluator, so will we
 - IE Report anticipated next Monday
 - IE also monitoring the 2008 RFP bids



RMP Resource Acquisition

Key Factors that will Inform the Analysis

- PacifiCorp has impending deficits:
 - New forecast (revised down for recession) indicates deficits of 498 MW starting in 2011
 - Deficits get much larger in 2012: Optimistic assumptions regarding resources (including having LakeSide 2 approved and online by 2012) show deficit of 1,340 MW
 - Current projections show deficit of 2,930 MW in 2018



RMP Resource Acquisition

Key Factors, cont.

- Construction of New Resources Necessary
 - All price forecasts assume ongoing construction of new gas plants to meet forecasted demand
 - Without new plants, prices will spike well above price forecasts and region will be at risk for blackouts or rolling brownouts
 - Delaying construction relies on excess market power that may or may not exist



RMP Resource Acquisition

Key Points, cont.

- Concerns that we are buying at the “top of the market” need to be carefully considered
 - Prices for new generation may not go down proportionately to commodity and other costs
 - Delay based on the hope of price decreases could be inappropriate speculation – the goal is most cost effective *available* option to meet consumer needs
 - On the other hand, we do not want to support an overpriced resource, especially if 2012 online date is uncertain an additional bids for 2013 will be available soon from the newer RFP



RMP Resource Acquisition

Key Points: Summary

- Concerns about flawed process, potential high prices and another “just in time” resource
- Recognition of PacifiCorp's significant resource deficits (and over-reliance on market power) as well as the regional need for additional resource development



RMP Resource Acquisition

Timeline

- IE Report – January 12
- Testimony/Comments – February 5
- Hearing – February 19



Other Business/Adjourn
